

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**THE CALIFORNIA MUSEUM OF SCIENCE
AND INDUSTRY: A LIMITED REVIEW**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

P-245

THE CALIFORNIA MUSEUM OF SCIENCE AND INDUSTRY:
A LIMITED REVIEW

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Honorable Art Agnos
Chairman, and Members of the
Joint Legislative Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General respectfully submits its report concerning the California Museum of Science and Industry. Specifically, the report details problems associated with the relationships between the museum and the California Museum Foundation of Los Angeles, and between the museum and the University of Southern California.

Respectfully submitted,



THOMAS W. HAYES
Auditor General

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SUMMARY

The Board of Directors of the California Museum of Science and Industry needs to address problems associated with the relationships between the California Museum of Science and Industry (museum) and the California Museum Foundation of Los Angeles (foundation), and between the museum and the University of Southern California (USC). Specifically, the Board of Directors (board) needs to establish written policy clarifying the propriety of consultant stipends and other compensation paid by the foundation to museum employees. Further, the board needs to implement a plan to ensure that the museum's director and the foundation fulfill certain responsibilities pertaining to exhibit development, evaluation, and maintenance. In addition, the board needs to comply with language in the Supplemental Report of the 1982 Budget Act that requires the museum to establish written policy regarding the use of museum facilities by outside organizations and to charge USC the same rate for parking as the museum charges the public.

Foundation Compensation of Museum Employees

The museum's director and chief deputy director perform dual roles: in addition to their state duties, the museum's director administers foundation operations as its executive vice president; the museum's chief deputy director serves as the foundation's administrative vice president. From the State, the museum's director receives a salary of \$50,784; from the foundation, he receives annual consultant fees of \$29,216 and an annual expense account of up to \$20,000. The museum's chief deputy director receives a state salary of

\$43,800, foundation consultant fees of \$8,400 and an annual foundation expense account of up to \$1,200. The foundation also allows the museum's public relations officer to incur foundation-related expenses.

In a preliminary report, the Department of Personnel Administration concluded that the foundation stipends and expense accounts for these employees appear to be inappropriate because the employees are receiving additional compensation for performing official state duties or for performing duties incompatible with the Government Code. The director and the chief deputy director state that they each perform two separate jobs for which they receive compensation from the State and the foundation.

Exhibit Responsibilities

In an agreement between the museum and the foundation, the Board of Directors has directed that primary responsibilities for exhibit development, evaluation, and maintenance be shared by the museum and the foundation. However, because the board has not clearly defined and assigned specific exhibit responsibilities to museum or to foundation staff, the museum and the foundation have not fulfilled these exhibit responsibilities. As a result, the museum includes exhibits not related to the educational themes of science and industry, such as displays of sculpture and paintings. In addition, some exhibits on display at the time of our review were outdated or in disrepair. A telephone communications exhibit displaying communication technology has not been updated since 1964. At the time of our review, six displays in the museum's electricity exhibit were out of order, and some displays in other exhibits were also inoperative.

In August and September 1982, the museum hired three program administrators to assist in developing a master plan and three-year development program for the museum. The program administrators will also screen potential exhibits and evaluate existing exhibits to determine which exhibits should be retained, renovated, or replaced.

Compliance With Supplemental Report

The Board of Directors has not yet complied with language in the Supplemental Report of the 1982 Budget Act that requires the museum to establish written policy concerning the use of museum facilities by outside organizations. However, the museum staff will include written policy concerning the use of museum facilities by outside organizations in the museum master plan scheduled for presentation to the board in the Spring of 1983.

The Board of Directors has not complied with the Supplemental Report language in one of its two parking leases with USC. However, this lease was signed before passage of the 1982 Budget Act. The board has complied with the language in the other lease. In the lease that does not comply, the museum charges USC \$3 for each car that parks in designated areas during USC home football games. One day after this lease was signed, the board established a new public parking rate during football games of \$5 for each car; however, the board did not renegotiate an increase in the fee charged to USC, even though a provision of the lease allows amendment of the lease by mutual consent of the parties. If the fee charged to USC had been raised to \$5 per car, the museum would have collected an additional \$9,596 in fiscal year 1982-83.

In the other parking lease, the museum charges USC 50 cents daily for students who park in lots leased from the museum by USC. This is the same rate that the museum charges for daily public parking. However, USC charges persons who do not have a valid USC parking permit \$2.50 to park in these areas, even though USC pays the museum only 50 cents. According to museum staff, the parking agreement that allows USC to lease parking areas for football games will be renegotiated in 1983, and USC will be charged the public parking rate.

Recommendations

To clarify the propriety of foundation compensation of museum employees, the Secretary of the State and Consumer Services Agency should require the Board of Directors to establish written policy governing such compensation. To improve the museum's performance of its educational and exhibit functions, the Secretary of the State and Consumer Services Agency should direct the Board of Directors to implement a plan that specifies appropriate types of exhibits for the museum, that establishes priorities for acquiring new exhibits and evaluating existing exhibits, and that clarifies responsibilities for maintaining the museum's exhibits. To comply with the Supplemental Report of the 1982 Budget Act, the Board of Directors should establish written policy regarding the use of museum facilities by outside organizations and ensure that any parking agreements with USC comply with Supplemental Report language. In addition, the Board of Directors should require that any parking leases contain a provision that precludes USC from charging persons who park on lots leased from the museum more than USC is charged by the museum.

INTRODUCTION

We have examined the relationships between the California Museum of Science and Industry (museum) and the California Museum Foundation of Los Angeles (foundation), and agreements between the museum and the University of Southern California (USC). This report discusses the administrative relationships and responsibilities of the museum and the foundation and explains problems we found in the relationships. In addition, we discuss the museum's parking lease agreements with USC.

California Museum of Science and Industry

The California Museum of Science and Industry, which opened in 1951, is an educational, scientific, and technological center located in Exposition Park in Los Angeles. The museum's purpose is to promote public interest and education in science, industry, and economics by presenting scientific and technological exhibits. Currently, the museum maintains 21 permanent exhibits in subjects such as outer space, health, and energy. In addition, each year the museum presents approximately 60 to 70 special and temporary exhibits. According to the museum's director, approximately 3.5 million

people visited the museum in 1981. About 410,000 visitors were children on school field trips.

The museum does not charge an admission fee; however, it does charge for parking. The museum operates public parking facilities on 26 acres of state land in Exposition Park adjacent to the Los Angeles Memorial Coliseum. The museum parking lot operations generated approximately \$500,000 in state revenues during fiscal year 1981-82.

In fiscal year 1982-83, the California Legislature appropriated approximately \$11.5 million for the museum, of which about \$4.3 million is from the General Fund for administrative and operating expenses. The Legislature appropriated from the Special Account for Capital Outlay \$7.2 million for the construction of two museum buildings and for improvements to existing buildings.

On occasion, the museum has permitted outside organizations to use museum facilities for activities sponsored by those organizations. In the Supplemental Report of the 1982 Budget Act, the Legislature required the museum to establish written policy governing the use of museum facilities by outside organizations.

The museum is governed by a nine-member Board of Directors (board) appointed by the Governor. These nine members establish museum policy, approve regulations regarding the museum's operations, and appoint the Director of Exposition Park and Museum Programs (director). The State and Consumer Services Agency has ultimate program and policy responsibility for the museum.

In August 1982, the Board of Directors appointed a new director following the death of the previous director in April. The new director is undertaking a major administrative and structural reorganization of the museum, and he is developing a master plan that will include expanding and renovating exhibits, renovating current facilities, and constructing additional buildings. According to the director, the plan will define the goals of the museum and outline a three-year development program projected to cost \$43 million.

The museum receives financial support from the California Museum Foundation of Los Angeles. According to the museum's chief deputy director, the fiscal year 1982-83 state budget for the museum does not include sufficient funds for acquiring new exhibits or improving existing exhibits. Consequently, the Board of Directors has entered into an agreement for acquiring these funds from the foundation. To make the development program a reality, the director, in

conjunction with the foundation, is seeking to raise \$31.4 million in private donations in addition to \$11.6 million to be provided by the State. The \$7.2 million in the fiscal year 1982-83 state budget is part of the State's funding for the development program. The director expects that a portion of the development program will be completed before the 1984 Olympics, which will be held at Exposition Park in Los Angeles.

California Museum Foundation of Los Angeles

The California Museum Foundation of Los Angeles solicits donations for acquiring and maintaining museum exhibits, and for renovating and constructing museum facilities. Formed in 1949 as a nonprofit corporation, the foundation was established to assist and aid in planning, organizing, developing, operating, and expanding the exhibit and educational activities of the museum. The foundation is governed by a 63-member Board of Trustees whose members are nonsalaried volunteers. The nine members of the museum Board of Directors also serve on the foundation Board of Trustees as nonsalaried members. In October 1982, the foundation Board of Trustees appointed the museum's director as a consultant to perform certain services as the foundation's executive vice president. The foundation also engages the museum's chief deputy director as a consultant to perform services as its administrative vice president.

The foundation operates educational programs, such as its "Summer Science Workshop" and its "Exploring Science on Saturday" programs for children. The foundation employs 11 full-time staff and engages over 50 part-time staff as teachers for the educational programs. According to supplemental information in the Governor's Budget, the foundation's budget for fiscal year 1982-83 is approximately \$850,000. The foundation acquires these funds through donations from individuals and businesses.

Museum - University of Southern California Agreements

The University of Southern California (USC), which is located adjacent to the museum, leases designated parking areas for use at USC home football games and for student parking during the school year. The current leases were negotiated in 1982. In the Supplemental Report of the 1982 Budget Act, the Legislature required the museum to charge USC the same rate for parking that the museum charges the public.

SCOPE AND METHODOLOGY

This audit examined the relationships and responsibilities of the museum and the foundation, and the parking agreements between the museum and USC. The objectives of the audit were to (1) identify the administrative relationships and responsibilities of the museum and the

foundation; (2) assess the appropriateness of the relationships and determine if the respective responsibilities are being met; and (3) determine if the museum has complied with the Supplemental Report of the 1982 Budget Act language that requires the museum to establish written policy governing the use of the museum's facilities by outside organizations and to renegotiate parking charges with USC.

To accomplish this audit, we interviewed a member of the museum Board of Directors and the chairman of the foundation Board of Trustees. We also interviewed museum and foundation staff and the Deputy Secretary and Civil Rights Officer of the State and Consumer Services Agency. We reviewed statutory requirements and contractual agreements between the museum, foundation, and USC to identify the relationships and responsibilities of each organization. To identify administrative and organizational changes planned by the museum staff, we examined the draft of the museum master plan. We also requested a formal opinion from the Department of Personnel Administration to clarify the state duties of the museum's director and chief deputy director, to determine if the foundation duties of these two museum employees conflict with state regulations, and to assess the propriety of stipends and expense accounts paid by the foundation to museum employees.

We limited the scope of our review to address the Legislature's request that we analyze the relationship between the museum and the foundation, and the relationship between the museum and USC. Therefore, we did not assess the effectiveness and efficiency of the museum's operations.

In this report we identify problems that need to be addressed by the Board of Directors. In section I we discuss advantages and possible problems in the administrative relationships between the museum and the foundation. In section II we discuss problems relating to the development, evaluation, and maintenance of exhibits. In section III we describe problems related to the use and management of museum facilities, including the lease of the museum's parking areas to USC.

AUDIT RESULTS

I

FOUNDATION COMPENSATION OF MUSEUM EMPLOYEES MAY BE IMPROPER

There are possible problems in certain administrative relationships between the museum and the foundation. Three museum employees are receiving compensation from the foundation. While the museum director's involvement with the foundation is appropriate, and the administrative and funding relationships between the museum and foundation are advantageous to the State and the museum, foundation compensation of museum employees may violate sections of the Government Code. In addition, certain foundation activities performed by the museum's chief deputy director and the museum's public relations officer may be incompatible with their state duties or may impinge on the employees' attention to their state duties.

Since 1962, the museum Board of Directors and the foundation Board of Trustees have entered into agreements that divide responsibilities for two essential functions: the museum's administrative management, and the museum's exhibit and educational programs. The California Legislature has appropriated state funds to maintain the museum buildings and

grounds, to provide security, to manage museum parking areas, and to perform other administrative management services. In turn, the foundation has solicited private donations to provide funds for the museum's exhibit program and educational programs.

To coordinate the foundation's fund-raising responsibilities with the museum's exhibit program, the museum Board of Directors and the foundation Board of Trustees appointed the museum's director to administer functions for both the museum and the foundation. In this dual capacity, the director administers the daily functions of the museum and Exposition Park, and also serves as the executive vice president for the foundation in a consultant agreement. From the State, the museum director receives an annual salary of \$50,784; from the foundation, he receives \$29,216 in annual consultant fees and an expense account of up to \$20,000.

According to the statement of duties for the director of the museum, which we obtained from the Department of Personnel Administration (DPA), the director is responsible to the Board of Directors for the daily administration of the museum and Exposition Park. The director must also maintain a working relationship with major corporations and governmental entities to ensure the continuation of industry and government

support for the museum. The statement of duties also provides that the director serves as executive secretary of the foundation.

While the previous director held the title of "executive secretary" of the foundation, the current director's title is "executive vice president." As the foundation's executive vice president, the director manages the foundation's 11 full-time staff members and the foundation's educational programs that involve over 50 teachers. He is also the principal fund raiser for the foundation. In this capacity he participates in frequent evening and weekend functions and must travel to meet corporate executives throughout the United States. He also supervises volunteer personnel and coordinates the foundation's fund-raising programs. As executive vice president of the foundation, he has co-signature authority for expenses over \$500.

Because we questioned the propriety of the director's relationship with the foundation, we asked the DPA to examine the statement of duties, the director's involvement with the foundation, and the method by which he controls nonstate funds for the benefit of the museum. We also asked the DPA for an opinion on the appropriateness of the dual compensation arrangement.

In January 1983, the DPA provided us with a preliminary report that indicated that while the director's relationship with the foundation is advantageous to the State, the foundation's stipend and expense account for the director are inappropriate. The DPA stated that the director's administrative relationship with the foundation is appropriate because the foundation was established to support the museum's exhibit and educational programs. The DPA also reported that serving jointly as the chief administrator of both the museum and the foundation is not inherently inconsistent or incompatible, and that the director controls nonstate funds only to the extent that the foundation permits.

However, the DPA reported that the dual compensation arrangement may violate sections of the Government Code. The DPA stated that the director's administrative role in the foundation is considered part of his responsibilities as director of the museum, for which he is compensated by his state salary. Consequently, according to the DPA, the dual compensation arrangement may conflict with Section 18000 of the Government Code. The DPA's opinion, in part, is as follows:

When the director's salary was increased from exempt level V to level III effective January 1, 1982, the duties of Executive Secretary to the foundation were included as partial justification for the overall increase. In approving that request we were unaware of the foundation's stipend. Literally taken, this means the Director is receiving additional compensation from a private source for performing the duties of his office. We believe this practice to be in conflict with Government Code Section 18000 which states:

"18000. The salary fixed by law for each state officer, elective or appointive, is compensation in full for that office and for all services rendered in any official capacity or employment whatsoever, during his or her term of office, and he or she shall not receive for his or her own use any fee or prerequisite for the performance of any official duty."

The language of this code section would also seem to preclude the use of foundation expense accounts.

The DPA further stated that the dual compensation arrangement also appears to violate Section 19990 of the Government Code. According to the DPA, this section says that each appointing power shall determine those activities that are inconsistent, incompatible, or in conflict with a person's duties as a state employee. Included among the activities considered incompatible is the receipt by an employee of any money or other consideration, other than from the State, for

the performance of an act that is required or expected to be rendered in the regular course or hours of the employee's state employment.

The director disagrees with the DPA's preliminary report, and states that he holds two different and separate positions: one as Director of Exposition Park and Museum Programs, a position that includes responsibilities as the museum's director, and the other as Executive Vice President of the foundation. The director also said that the statement of duties reviewed by DPA applies only to the previous director. The current director said that his state responsibilities as Director of Exposition Park and Museum Programs do not include the administrative services he performs for the foundation. Consequently, he said that his consultant fee from the foundation is for work that is separate from his state duties. The director also said that his consultant agreement with the foundation had been reviewed by the Secretary of the State and Consumer Services Agency.

The chairman of the foundation Board of Trustees also does not view the foundation's stipend as inappropriate compensation. The chairman claims that the state salary alone is not sufficient to attract a quality museum director. In addition, the chairman stated that the director performs additional duties for the foundation that are not normally

required in the director's state position, and that the foundation should compensate the director accordingly.

The Department of Personnel Administration is conducting further analysis of the compensation and administrative situation. In its analysis, the DPA is gathering additional information and soliciting opinions from the Secretary of the State and Consumer Services Agency, the Governor's Office, and the museum staff in order to render a final opinion on the appropriateness of the compensation. Also, the DPA is considering alternatives to the present form and method of compensation.

Two other museum employees also receive compensation from the foundation. Since October 1982, the museum's chief deputy director has received a consultant fee and an expense account from the foundation. According to the consultant contract, the chief deputy director holds the position of administrative vice president in the foundation. In this position, the chief deputy director assists the executive vice president in the foundation's fund-raising programs, and assists in supervising the administrative aspects of the "Summer Science Workshop" program. In addition to his annual state salary of \$43,800, the chief deputy director receives an annual consultant fee of \$8,400 from the foundation, and is allowed to incur up to \$1,200 a year in foundation-related

expenses. The museum's public relations officer is also allowed to incur foundation-related expenses.

We questioned the DPA about the propriety of the consultant fee arrangement between the chief deputy director and the foundation. In the preliminary opinion, the DPA stated that this arrangement appears incompatible with Government Code Section 19990(c) because the chief deputy director is performing duties other than his duties as a state officer or employee. The chief deputy director's state duties do not include foundation activities.

The DPA preliminary opinion also concluded that the chief deputy director's expense account and the expense account provided by the foundation to the museum's public relations officer appear to be improper compensation because the state salaries are considered compensation in full for those offices and for all services rendered in any official capacity.

In rendering this opinion, the DPA was not aware that the chief deputy director holds the position of administrative vice president of the foundation. Since service to the foundation is not considered part of his state duties, we also believe that the chief deputy director, because he is performing duties for the foundation, may not be devoting his full-time attention and efforts to his state employment. This

arrangement appears to be incompatible with another paragraph of Government Code Section 19990 which states as follows:

Each state officer and employee shall during his or her hours of duty as a state officer or employee and subject to such other laws, rules or regulations as pertain thereto, devote his or her full-time attention and efforts to his or her state office or employment.

The chief deputy director stated that his position as the foundation's administrative vice president is separate from his state duties. He insisted that he is compensated from the State and from the foundation for two different positions, which are not incompatible. Further, the chief deputy director stated that he entered into a consultant agreement with the foundation in October 1982, as an individual, and that the agreement had been reviewed by the Secretary of the State and Consumer Services Agency.

We believe that the Department of Personnel Administration, the Secretary of the State and Consumer Services Agency, the Governor's Office, and the museum's Board of Directors should review the dual compensation arrangements of these museum employees to determine whether the arrangements are appropriate or compatible with the Government Code. These groups should determine whether any museum employee should

receive compensation from the foundation or enter into a consultant contract with the foundation. If they conclude that museum staff may be compensated by the foundation, the board should establish written policy and monitor the arrangements and the foundation activities to ensure that no incompatible activities develop.

II

THE MUSEUM AND FOUNDATION HAVE NOT FULFILLED CERTAIN EXHIBIT RESPONSIBILITIES

The Board of Directors has not ensured that the director and the foundation fulfill certain responsibilities pertaining to exhibit development, evaluation, and maintenance. As a result, certain exhibits fail to reflect a science or industry theme and some exhibits are outdated or in disrepair. The new director has instituted a plan for changing, improving, and expanding the exhibits.

The exhibit program is the primary means of achieving the museum's educational purpose. In this regard, a significant relationship between the museum and the foundation is established by an agreement in which the board shares primary exhibit responsibilities with the foundation. According to the agreement, the board gives the foundation nonexclusive rights to install, manage, operate, and maintain exhibits in designated sections of the museum. The foundation's exhibit responsibilities are nonexclusive in that the museum, the exhibit donors, or other groups may also perform the exhibit responsibilities. The foundation's responsibilities include keeping exhibits up to date and making

major repairs. Thus, in addition to providing funds for the exhibit program, the foundation performs some museum exhibit functions as well.

To fulfill exhibit responsibilities effectively, the board and the director must clearly define and coordinate daily exhibit responsibilities and priorities with the foundation. However, neither the board nor the previous director clearly defined these exhibit responsibilities. They did not assign either to museum or to foundation staff specific responsibilities for developing exhibits, nor did they establish policy on the appropriate types of exhibits for the museum. As a result of the absence of specific policy, the museum includes exhibits that are not related to the educational themes of science or industry. For example, at the time of our review the museum contained exhibits of sculptures and paintings as well as a large elaborate exhibit celebrating the bicentennial of the City of Los Angeles.

Further, the absence of specific museum policy for exhibit development has allowed some exhibit donors substantial participation in designing museum exhibits. Some exhibits strongly emphasize the donor's commercial purposes. For example, a major automobile manufacturer donated one exhibit to demonstrate the science and technology of the automobile industry. The entire industry is represented exclusively by

this one corporation, whose name is exhibited in large letters at the entrance to the exhibit. The corporation's name and logo also appear throughout the exhibit area.

We believe, and the director agrees, that exhibits should emphasize an educational value for the museum visitor rather than provide advertising for the corporate donor. To help accomplish the educational objective, the museum hired three program administrators during August and September 1982 to develop the museum's education programs in science, industry, and economics. Their duties include outlining, in the areas of their expertise, the kinds of exhibits that are appropriate for the museum and assisting the public in understanding the exhibits. According to the draft of the museum master plan, these program administrators will review future exhibit designs to prevent over-commercialization by corporations.

The draft of the museum master plan also states that the program administrators will screen potential exhibits for appropriateness and evaluate each existing exhibit to determine if it should be retained, renovated, or replaced. To determine if the exhibit meets the ongoing educational purpose of the museum, the evaluation will consider whether exhibits represent the current state of the art in science, industry, and economics.

We agree that these evaluations are needed. Some exhibits on display at the time of our review were out of date. For example, a telephone communications exhibit displaying communication technology was installed in 1964; according to the director, the exhibit has not been evaluated or changed since that time. We concluded that evaluations of exhibits had not been performed because the Board of Directors had not clearly defined whether museum or foundation staff should evaluate the exhibits, and because the previous director did not ensure that evaluations were performed and exhibits were kept current.

In addition to finding that some exhibits are inappropriate and that others have not been evaluated for their current educational value, we found exhibits that were in need of repair. During our review in September and October 1982, six displays in the museum's electricity exhibit were out of order. Other displays in other exhibits were also inoperative. To remedy this condition, the current director plans to require the museum, the foundation, or the donors to renovate or repair exhibits. In some cases, exhibit contracts between the donor and the foundation specify that the donor is responsible for maintenance, while other contracts specify that the foundation will perform the maintenance, some contracts, however, do not even address maintenance.

We believe that such maintenance problems exist because the Board of Directors has not clearly defined responsibilities concerning maintenance of museum exhibits and because the previous director did not ensure that exhibits were maintained. Furthermore, while the board did share the responsibility for maintaining exhibits with the foundation by granting the foundation nonexclusive rights to maintain exhibits, the foundation does not have any staff to perform this function. Whenever possible, the staff members in the museum's exhibit department perform some maintenance and repair on exhibits that are not maintained by a donor or by the foundation.

The cumulative effect of undefined maintenance responsibilities is that maintenance of the exhibits is not being performed well. However, the new director is implementing procedures to improve exhibit maintenance.

III

THE MUSEUM CAN IMPROVE ITS FACILITY MANAGEMENT

In the Supplemental Report of the 1982 Budget Act, the Legislature, concerned with the museum's facility management, required the museum to establish written policy governing the use of museum facilities by outside organizations and to charge the University of Southern California (USC) the same rate for parking that the museum charges the public. The Board of Directors has not yet complied with the Supplemental Report language requiring written policy concerning the use of museum facilities. However, the director and the chief deputy director plan to implement policies that are intended to comply with the Legislature's requirements.

In regard to parking leases with USC, the board has not yet complied with the Supplemental Report of the 1982 Budget Act in one of the two leases. In one lease, the museum charges USC \$3 for each car parked in certain museum lots during USC home football games but charges the public \$5 per car for parking during these games. In the other lease, in which USC leases museum lots for student parking, the museum does charge USC the same daily rate the museum charges the public. However, we found that while the museum charges USC

50 cents per day for each car parked in these lots, USC charges some persons \$2.50 per day.

Use of Museum Facilities

The previous director inconsistently and in some instances inappropriately allowed outside organizations to use museum property. Some outside organizations were granted free use of museum facilities for purposes unrelated to the museum. Currently, however, the museum staff is taking steps to ensure that museum facilities are used only by organizations whose purposes coincide with the museum's educational functions.

The chief deputy director has discontinued granting free use of museum facilities to a theater group and a local boys choir because he did not view their use as related to the museum's purposes. Further, he said he had not approved requests from organizations to use museum facilities until he had determined that the groups met the museum's educational purposes. The museum is also working to comply with the legislative requirement for written policy regarding use of museum facilities by outside organizations. According to the chief deputy director, a policy statement for the use of facilities will be included in the museum master plan that will be submitted for approval by the Board of Directors during the Spring of 1983.

Except for special cases, the only organizations now using museum space are those that can demonstrate that their use is consistent with museum or community interest purposes. The foundation, for example, is granted office space in the museum.

Parking Agreements

The museum has entered into two parking lease agreements with the University of Southern California. One agreement allows USC to lease designated parking areas during its home football games. Another lease allows USC students to park in designated lots while attending classes.

In the lease for football game parking, the museum grants USC the right to lease parking areas at a rate less than the museum now charges the public for parking. On June 1, 1982, the museum negotiated a one-year agreement with USC that allowed USC to lease three parking areas for use during USC home football games. The agreement established a rate of \$3 for each car parked in these areas during each game. At that time, the museum also charged the public \$3 per car for parking in the museum's other lots during major sporting events. On June 2, 1982, one day after the lease agreement was signed, the Board of Directors established a new public parking rate of \$5 for each car parked in the museum's lots during major sporting

events. However, the board did not renegotiate an increase in the rate charged to USC, even though a provision of the lease allows amendment of the lease by mutual consent of the parties. As a result, in fiscal year 1982-83 the museum did not collect \$9,596 that it would have collected had USC been charged the \$5 per car rate.

The museum's assistant deputy director for fiscal policy stated that the museum will negotiate a new lease for football game parking with USC in 1983. He said that the museum will charge USC the higher rates established by the museum's Board of Directors for public parking.

In the museum's other lease with USC, which allows students to park in designated lots, the museum has complied with the Supplemental Report. This lease permits students to park in museum lots that otherwise might not be used. Under the current parking lease that the director negotiated in September 1982, the museum now charges USC 50 cents daily for each car that parks in these lots. This is the same rate that the museum charges for public parking in other museum parking lots. Previously, the museum leased these lots to USC for \$800 per month. The museum now collects approximately \$3,465 per month. However, we did find that USC charges persons who do not have a valid USC parking permit \$2.50 per car to park in these lots even though USC pays the museum only 50 cents per

car. USC charges this \$2.50 parking fee for approximately 200 cars each month, and from this fee receives about \$500 a month.

CONCLUSION

We have examined the relationship between the California Museum of Science and Industry and the California Museum Foundation of Los Angeles. The primary relationship is established through an agreement that assigns responsibilities for the exhibit and educational programs to the foundation and the responsibilities for administrative management to the museum.

In order to coordinate the museum's administrative responsibilities with the foundation's fund-raising efforts and exhibit and education programs, the museum's director serves as administrative director of both entities. The foundation has engaged the museum's director as a consultant at \$29,216 per year and provided him with a \$20,000 annual expense account, in addition to his state salary of \$50,784. Similarly, the foundation has engaged the museum's chief deputy director as a consultant at \$8,400 per year and provides him with a \$1,200 annual expense account in addition to his \$43,800 state salary. The

foundation also allows the museum's public relations officer to incur foundation-related expenses.

In a preliminary report, the Department of Personnel Administration concluded that there was nothing inherently inconsistent or incompatible in the dual administrative responsibilities of the director. But the DPA found that the foundation's compensation of the director, the chief deputy director, and museum's public relations officer may be in conflict with Government Code Sections 18000 and 19990.

The museum's director and chief deputy director believe that the DPA analysis erroneously concluded that they were receiving duplicate compensation for doing state duties. The director and chief deputy director stated that the foundation duties they perform are not a part of their state duties; their foundation duties represent separate jobs for which they can legitimately receive compensation from the foundation. The DPA is conducting further analysis to determine if the work that the director and the chief deputy director are doing for the foundation is a part of their state duties or if that work represents separate responsibilities for each.

We also examined the manner in which the museum is meeting its exhibit responsibilities. We concluded that certain museum exhibit responsibilities are not being fulfilled because the Board of Directors has not clearly defined responsibilities for exhibit development, evaluation, and maintenance. Further, the previous director did not ensure that the exhibits were appropriate and adequately maintained. As a result, some exhibits fail to reflect a science or industry theme, are outdated, or are in disrepair. The new director is undertaking a major administrative and structural reorganization of the museum and is developing a master plan that will expand and renovate exhibits and construct new buildings.

We were asked to examine the museum's facility management. The Board of Directors has not fully complied with the Supplemental Report of the 1982 Budget Act that requires written policy concerning the use of museum facilities by outside organizations. However, the director has implemented new policy and is proposing a written policy in the master plan that will be presented to the board in the Spring of 1983.

Finally, we examined the two parking agreements between the museum and USC. The Supplemental Report requires the museum to charge USC the same parking rate as charged to the public. In one of the agreements, the museum has not yet complied with the Supplemental Report. This agreement was signed prior to passage of the 1982 Budget Act on June 30, 1982. On June 1, 1982, the museum entered into a lease agreement that charges USC \$3 per day for each car parked in designated parking areas during USC's home football games. This was the same rate the museum charged the public during major sporting events. However, the next day, June 2, 1982, the board raised the public parking fee to \$5, but did not renegotiate an increase in the fee it charges to USC, even though a provision of the lease allows amendment of the lease by mutual consent of the parties. Had the board raised the fee charged to USC to \$5 per car, the museum would have collected over \$9,500 in additional parking fees from USC during its five home games.

In the other agreement, the museum did renegotiate a lease with USC to charge each student who parks in the leased parking areas a fee of 50 cents daily, the same rate charged to the public. However, USC

charges some persons \$2.50 for parking in these lots while reimbursing the museum only 50 cents.

RECOMMENDATION

To clarify the propriety of foundation compensation of museum employees, the Secretary of the State and Consumer Services Agency should require the Board of Directors, in conjunction with the Department of Personnel Administration, the State and Consumer Services Agency, and the Governor's Office, to establish written policy pertaining to compensation paid by the foundation to museum employees for performing consultant and other services. The Board of Directors should also explore appropriate alternative methods for continuing the close relationship with the foundation without impinging on the intent of Government Code Sections 18000 and 19990.

We recommend that this written policy and any proposed methods for continuing the compensation relationship be submitted to the Legislature by May 2, 1983.

To improve the museum's performance of its educational and exhibit functions the Secretary of the State and Consumer Services Agency should direct the Board of Directors to implement a plan that specifies appropriate types of exhibits for display in the museum. The plan should establish priorities for acquiring new exhibits and for providing maintenance and renovation of existing exhibits. These priorities should be periodically updated by the museum's director and approved by the Board of Directors. The director should coordinate the museum's priorities with the foundation Board of Trustees in order to request the necessary donations to implement the museum's plan.

To clarify the responsibilities concerning exhibit evaluation, the director should, upon approval from the Board of Directors, designate appropriate museum staff to evaluate all permanent and temporary exhibits periodically. The director should consider exhibit evaluations when periodically revising the museum's priorities for acquiring new exhibits or maintaining and expanding existing exhibits.

In addition, the director needs to clarify the responsibilities concerning maintenance for each exhibit. We recommend that the director designate appropriate museum or foundation staff to maintain each exhibit. Accordingly, the director should amend provisions of the agreement between the museum and the foundation to properly reflect the assignment of responsibilities relating to exhibit development, evaluation, and maintenance.

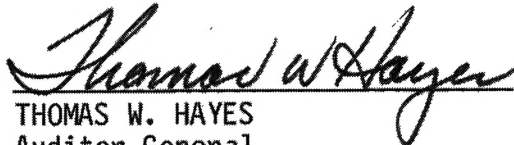
We recommend that the Board of Directors comply with the Supplemental Report of the 1982 Budget Act by establishing written policy regarding the use of museum facilities by outside organizations.

To ensure that the museum's parking leases with USC comply with the Supplemental Report of the 1982 Budget Act, the Board of Directors should require that in any future leases the museum charge USC the same rate for parking that the museum charges the public for parking at USC football games. Further, the Board of Directors should include in any parking lease a provision that permits the fee to be increased in the event the board increases the public parking rate. Also, any parking lease should contain a provision that precludes USC from charging persons

who park in lots leased from the museum more than USC
is charged by the museum.

We conducted this audit under the authority vested in
the Auditor General by Section 10500 et seq. of the California
Government Code and according to generally accepted government
auditing standards. We limited our review to those areas
specifically contained in the audit request.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: April 4, 1983

Staff: Eugene T. Potter, Audit Manager
Glenn A. Ostapeck
Rush Russell



State and Consumer Services Agency

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March 29, 1983

Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Hayes:

The draft report submitted to us by your office for review raises three issues we wish to address: exhibit and facilities management; parking leases with USC; and, compensation of museum employees.

Exhibit and Facilities Management

As your draft report notes, many of the problems outlined by your auditing staff had already been reviewed and had a plan of action prepared by museum management, for their correction prior to this audit report. Specifically, museum management has:

- begun an administrative reorganization;
- begun developing a master plan for expanding, renovating, and updating exhibits;
- begun developing a plan for new construction;
- recently hired consultants to aid in development programs;
- implemented a new policy on facilities usage; and,
- prepared written guidelines on facilities usage for presentation to the Board of Directors.

We feel that the actions taken to date by the museum, its director, and the foundation, demonstrate that a good faith effort is being made to remedy past problems. The Agency will monitor on a continuing basis the progress in these areas.

Parking Leases with USC

The Agency intends to work with the museum in reviewing the existing current

Thomas W. Hayes
Auditor General
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March 29, 1983


leases. If this review supports the audit finding, we will request that the museum take action as early as possible to implement the audit recommendations.

Compensation of Museum Employees

Of the three issues raised by this audit, this is the most complex. We find, however, that it cannot be fully addressed until such time as the Department of Personnel Administration, in conjunction with the Agency, has had an opportunity to do a formal evaluation of the current compensation structure involving the museum and the foundation. This formal review must include an evaluation of both the state job descriptions for Director and Chief Deputy Director, and the foundation job descriptions for executive vice president and administrative vice president. We will also need to formally examine what role the foundation expects state employees receiving compensation from them to play in the conduct of foundation business. The Agency shall immediately request formal job descriptions and a formal summary of duties from the foundation for all positions using museum management personnel. Until such descriptions are made available, and the Agency and DPA have had sufficient time to perform a formal review and evaluation of the propriety of the current compensation arrangement, this Agency shall reserve its final determination on an appropriate course of action on this item.

We thank the Auditor General's office for allowing us to review the draft report. We hope that you find our comments useful in preparing your final audit document.

Sincerely,


SHIRLEY R. CHILTON
Secretary of the Agency

SRC:jk

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps